DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION
BUREAU OF PROGRAM OPERATIONS

BOC REFERENCE

MEDICAID FINANCIAL HIGHLIGHTS

Vol. 1, No. 6

June 1984

REPORTS
RA
412
.4
M4225
v.1, no.6
(1984:June)

RA
412.4
.M4225
v.1, no.6
(1984: June)

The Medicaid Financial Highlights report reviews current issues and trends in Medicaid financial operations. The Budget Branch of the Division of State Agency Financial Management prepared this highlight. For more information on this report call Dave McNally on extension 71398 or John Lemieux on extension 46876.

PREPARED BY

John Lemieux
Phyllis Mosmiller
Bob Thompson
Al Veliuona

Medical Assistance Payments
National Trends by Type of Service
Fiscal Years 1981 - 1986

This Medicaid Financial Highlight report presents an analysis of the Federal share of Medical Assistance Payments (MAP) and growth rates for fiscal years (FYs) 1981 -1986. The data used in preparing this report are based on the Form HCFA-25, Medicaid Program Budget Report, submitted by the States to the Health Care Financing Administration (HCFA) on a quarterly basis. The Form HCFA-25 is the primary document used by HCFA in developing the near term national Medicaid budget estimates, and is also used by the States to certify the availability of matching State funds for the upcoming quarter.

The quarterly reporting cycle for the Form HCFA-25 provides for the presentation of data for 3 fiscal years at various stages of the budget process. The data for FYs 1981 - 1983 represent actual expenditures reported after the end of the respective fiscal years. The FYs 1984-1986 data reflect the States' budget estimates as reported on the May 1984 submissions of the Form HCFA-25. The data reported by the States do not reflect HCFA's adjustments for deferrals, disallowances, section 1903(s) and (t) adjustments, and quality control penalties.

The following tables and charts present the trend of MAP expenditures by the major types of services and the related growth rates. Charts 1 and 2 depict general national trends for the major elements of MAP expenditures. Tables 1 and 2 provide a more detailed explanation of growth by type of service and the growth patterns of the top 28 States, which account for approximately 90 percent of the Federal share of all MAP expenditures under the Medicaid program.

CHART 1

Chart 1 displays the percentage distribution of MAP among 4 major service categories for FYs 1981 and 1986. The Inpatient Hospital category includes both Inpatient Hospital and Mental Health Facility services, while the Intermediate Care Facility/Mentally Retarded (ICF/MR) segments contain only ICF/MR services. The Long-Term Care (LTC)/Other component represents Skilled Nursing Facility and ICF/All Other services, with the Other services category including Physician, Outpatient Hospital, Prescribed Drugs, and all other service types.

- The distribution of MAP among these 4 categories has not changed materially between FYs 1981 and 1986.

- Although the share accounted for by ICF/MR has increased slightly, total LTC (ICF/MR plus LTC/Other) has actually declined by just over 1 percent.

CHART 2

Chart 2 graphically depicts the dollar growth in MAP between FYs 1981 and 1986. The service categories in this chart are identical to those in Chart 1 with the exception of Long-Term Care which represents a combination of ICF/MR and LTC/Other.

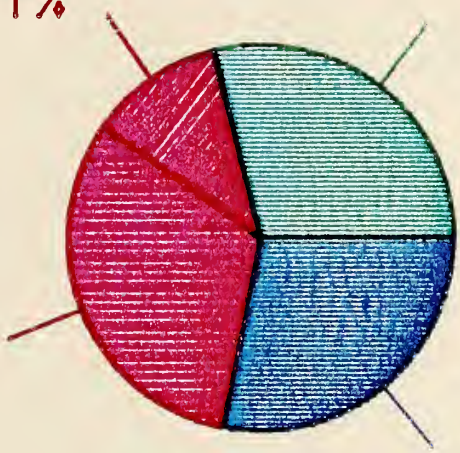
- All 3 categories have risen at a fairly steady rate, thereby explaining the relative lack of change in the distribution of payments among the categories displayed in Chart 1.

- Inpatient Hospital growth is expected to moderate somewhat, as many States have implemented alternative reimbursement methodologies.

- The Other Services category has begun to rise more rapidly due to the addition of optional services and recipient groups by several States.

MEDICAL ASSISTANCE PAYMENTS
TYPE OF SERVICE
FEDERAL SHARE

FY 1981



FY 1986

CHART 1

TOTAL MEDICAL ASSISTANCE PAYMENTS
INPATIENT HOSPITAL, LONG-TERM CARE, AND ALL OTHER SERVICES
FISCAL YEARS 1981-1986
FEDERAL SHARE

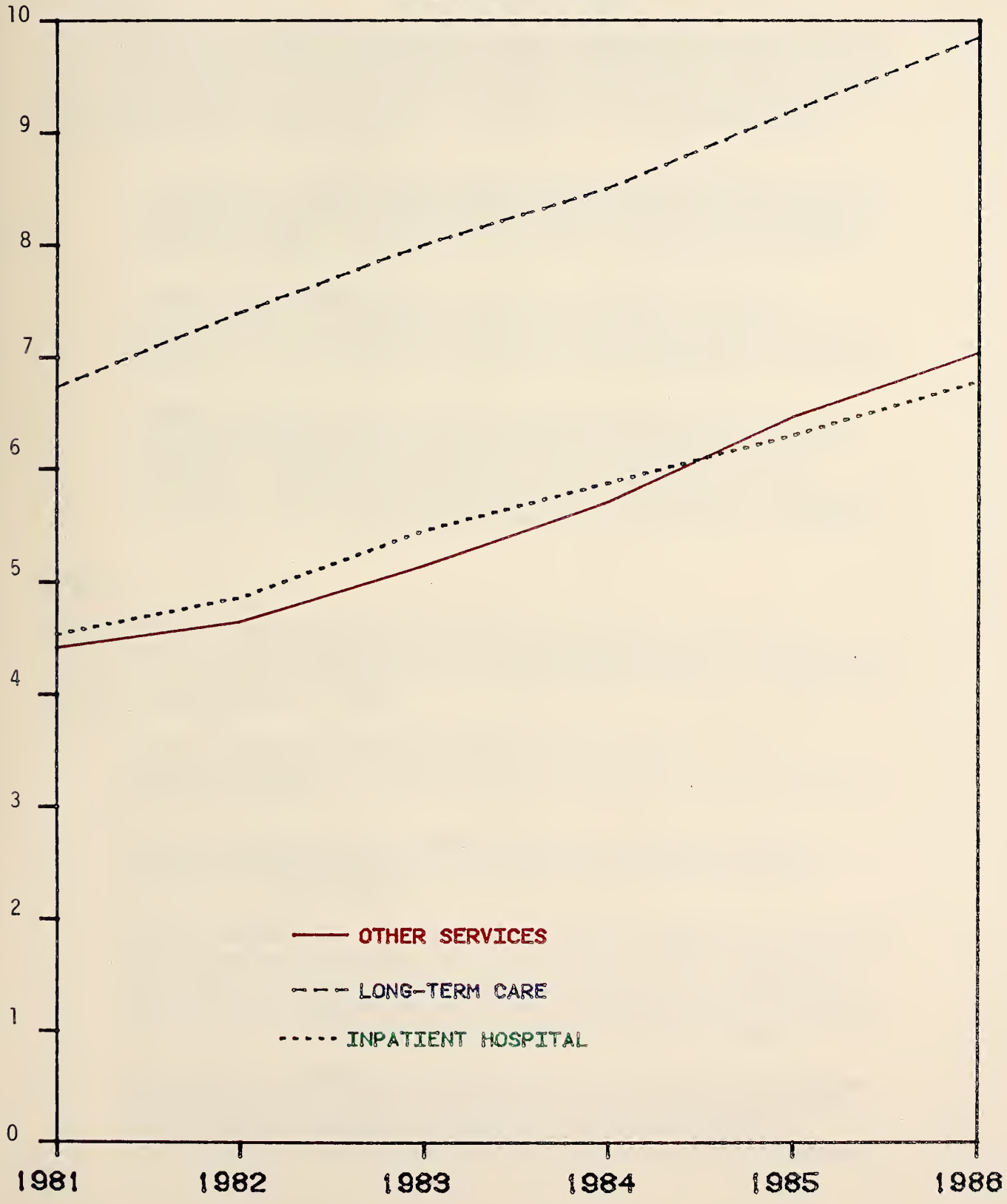


CHART 2

TABLE 1

Table 1 provides an analysis of the growth in MAP expenditures between FYs 1981 and 1986 by the major types of services. While the continuing rise in health care costs is most significant in the institutional services categories, the growth rate in the Other Services category is 39.5 percent greater than the overall national average for all service categories.

- o Home and Community-Based Waiver services, which were initiated with the enactment of the Omnibus Budget Reconciliation Act of 1981, account for approximately 12 percent of the increase in Other Services between FYs 1981 and 1986.

- o Personal Care services reported by New York account for about $577 million of the increase in Other Services between FYs 1981 and 1986. This represents 35 percent of the growth in Other Services for the same period.

- o Sizeable increases in the Health Insurance Payments and Home Health Services categories also account for a substantial portion of the escalation in costs for Other Services. This is consistent with the increasing trend of States entering into capitation payment arrangements and efforts to shift medical care from institutional to the home setting.

TABLE 2

Table 2 provides a ranking of the top 28 States by percentage of growth from FYs 1981 to 1986. The table highlights the dollar and percent growth of the Federal share of MAP expenditures between actual reported expenditures for FY 1981 and estimated expenditures for FY 1986.

- o The top 28 States account for approximately 90 percent of MAP expenditures, and also represent about 90 percent of the growth between FYs 1981 and 1986.

- o Of the top 28 States, 11 exceeded the overall national growth rate of 51 percent and account for 55.3 percent of the total dollar growth between FYs 1981 and 1986.

- o The two largest States, New York and California, account for 18.7 percent and 8.6 percent, respectively, of the total estimated MAP expenditures for FY 1986. This represents a 3.1 percent reduction of California's share of total MAP expenditures from FY 1981, whereas New York's percentage of the total has increased 2 percent between FYs 1981 and 1986.

- o California has exhibited the lowest growth rate among the top 28 States. Severe fiscal constraints have compelled California to restrict services, tighten eligibility criteria, and implement numerous cost-saving initiatives (e.g., contracting with hospitals for the provision of services).

- New York is anticipating total dollar growth approximately 9 times greater than California between FYs 1981 and 1986. The impact of limited cost-containment measures undertaken by New York have been far outweighed by the inflationary influence of price and recipient increases in most categories of service.

- Florida's exceptionally high rate of growth results from its expansion of program coverage to new services and recipient categories, compounded by continuing price inflation. In FY 1986 alone, Florida expects to increase its recipient population by 109,000 individuals (18.3 percent) by extending coverage to married pregnant women, financially eligible children under age 21, and families with unemployed parents.

- In contrast to many States, Ohio elected to raise its personal income tax by 90 percent in 1983 in order to generate sufficient revenues to meet the demands of medical care price inflation and a growing recipient population (approximately 20 percent increase between FYs 1981 and 1986). Ohio has also moved to expand services in some areas (e.g., projected payments for outpatient rehabilitation services in FY 1986 account for 12 percent of the dollar growth over FY 1981).

TABLE 1

GROWTH IN MEDICAL ASSISTANCE PAYMENTS BY TYPE OF SERVICE : FISCAL YEARS 1981-1986
FEDERAL SHARE (DOLLARS IN MILLIONS)

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1981-1986 PERCENT GROWTH
	*******	*******	*******	*******	*******	*******	**********
INPATIENT HOSPITAL	4,036	4,329	4,884	5,242	5,609	6,047	49.8
ICF/ALL OTHER	2,678	2,873	3,089	3,417	3,695	3,933	46.9
SKILLED NURSING FACILITY	2,280	2,483	2,599	2,637	2,856	3,088	35.4
ICF/MENTALLY RETARDED	1,772	2,038	2,312	2,449	2,648	2,827	59.5
PHYSICIAN	1,189	1,183	1,239	1,312	1,419	1,512	27.2
PRESCRIBED DRUGS	860	898	1,002	1,109	1,217	1,318	53.3
OUTPATIENT HOSPITAL	710	765	828	883	967	1,057	48.9
MENTAL HEALTH FACILITY	500	538	576	642	696	739	47.8
OTHER SERVICES _1/	1,651	1,799	2,074	2,405	2,863	3,145	90.5
TOTAL	15,676	16,906	18,603	20,096	21,970	23,666	51.0

_1/ INCLUDES CLINIC, DENTAL, HEALTH INSURANCE PAYMENTS, HOME AND COMMUNITY-BASED WAIVER, HOME HEALTH, LABORATORY AND RADIOLOGICAL, PERSONAL CARE, AND ALL OTHER SERVICES

TABLE 2

STATES RANKED BY PERCENTAGE GROWTH IN MEDICAL ASSISTANCE PAYMENTS: FISCAL YEAR 1981-1986
FEDERAL SHARE (DOLLARS IN THOUSANDS)

	FISCAL YEARS 1981-1983		FISCAL YEARS 1983-1986		FISCAL YEARS 1981-1986	
	DOLLAR GROWTH	PERCENT GROWTH	DOLLAR GROWTH	PERCENT GROWTH	DOLLAR GROWTH	PERCENT GROWTH
FLORIDA	114,849	38.7	314,681	76.5	429,530	144.9
OHIO	226,822	38.8	420,577	51.8	647,399	110.6
LOUISIANA	116,763	39.1	144,819	34.8	261,582	87.5
INDIANA	77,416	30.5	108,852	32.9	186,268	73.5
NEW YORK	689,938	26.3	1,117,321	33.8	1,807,259	69.0
CONNECTICUT	56,238	29.5	73,405	29.7	129,643	68.1
TENNESSEE	38,897	12.8	153,451	44.9	192,348	63.4
NORTH CAROLINA	47,620	14.4	149,477	39.5	197,097	59.6
MINNESOTA	93,524	24.7	128,785	27.2	222,309	58.6
NEW JERSEY	100,530	25.1	127,542	25.5	228,072	57.0
MISSOURI	64,614	27.8	55,117	18.5	119,731	51.5
TEXAS	93,451	13.4	251,206	31.8	344,657	49.5
KENTUCKY	34,681	13.6	91,332	31.5	126,013	49.4
MICHIGAN	76,240	11.4	242,733	32.5	318,973	47.6
MARYLAND	32,081	13.2	82,770	30.1	114,851	47.3
PENNSYLVANIA	213,622	26.9	159,265	15.8	372,887	46.9
SOUTH CAROLINA	-6,999	-3.3	99,859	49.3	92,860	44.3
ALABAMA	24,413	11.2	71,803	29.5	96,216	44.0
WASHINGTON	-1,235	-0.6	92,196	44.3	90,961	43.4
ARKANSAS	27,439	13.2	61,733	26.1	89,172	42.7
MISSISSIPPI	43,291	21.8	38,612	16.0	81,903	41.2
GEORGIA	42,885	11.7	97,896	24.0	140,781	38.5
MASSACHUSETTS DPW	128,522	22.3	74,709	10.6	203,231	35.3
VIRGINIA	22,168	8.4	65,825	23.0	87,993	33.3
WISCONSIN	30,374	6.1	134,396	25.3	164,770	32.8
OKLAHOMA	16,571	7.6	36,707	15.6	53,278	24.3
ILLINOIS	-1,651	-0.2	141,822	19.3	140,171	19.0
CALIFORNIA	182,507	10.0	19,982	1.0	202,489	11.1
TOTAL TOP 28	2,585,571	18.3	4,556,873	27.3	7,142,444	50.7
ALL OTHERS	341,611	21.6	506,101	26.3	847,712	53.5
NATIONAL TOTAL	2,927,182	18.7	5,062,974	27.2	7,990,156	51.0

CMS LIBRARY
3 8095 00014287 3